



Petroleum Market Report

August 2, 1999

Energy Information Administration
Office of Oil & Gas

MARKET SUMMARY

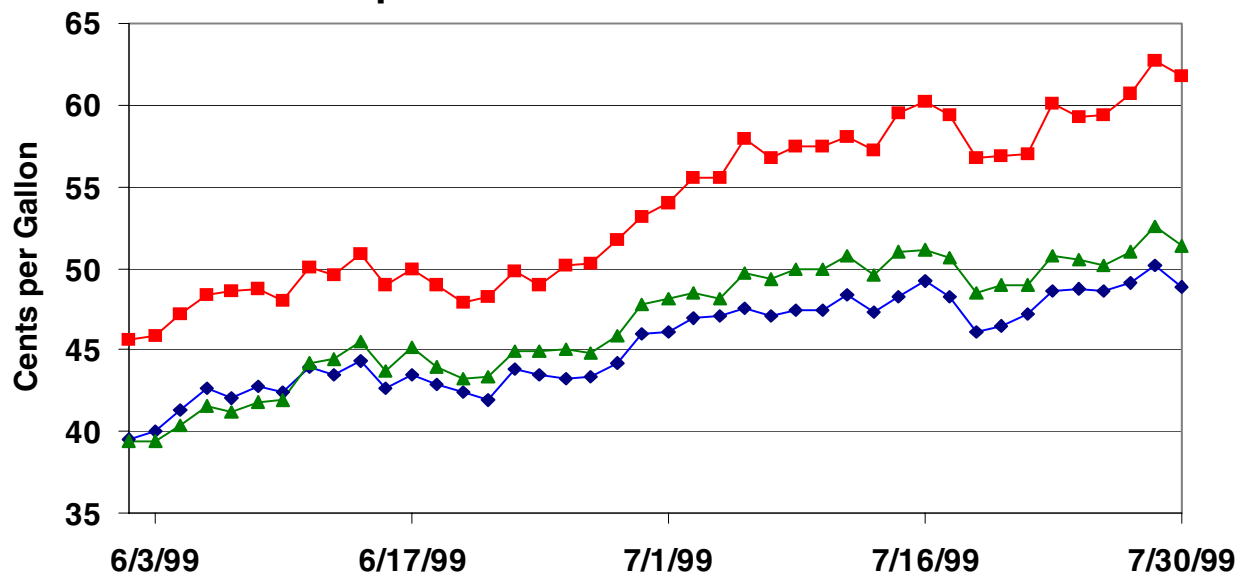
U.S. crude oil and petroleum product prices ended mostly higher last week, following a seesaw pattern influenced by refinery problems, stockdraws, and NYMEX contract expirations, among other factors. The week began with prices softening in profit-taking after an upward move the previous Friday, but began to gain late Tuesday on expectations for the weekly supply reports. Prices continued upward through Thursday, reaching their highest levels since late 1997 on crude oil and gasoline stockdraws and problems at several refineries. Markets mostly eased on Friday in pre-weekend profit-taking, and ahead of NYMEX August product contract expiration.

Crude oil - prices largely took direction from products for a change, as recent focus on production restraint gave way to concerns about U.S. refinery operations. The impact on crude from the latter is mixed, as refinery problems lessen crude demand, but rising product prices tend to pull crude upward. Thursday's spot WTI close at \$21.09 per barrel was the highest since October 1997.

Gasoline - was the center of attention for much of the week, as new problems at several refineries, including two in California, pushed West Coast RFG spot prices back over \$1 per gallon, and New York Harbor spot to a 21-month high. The hardest-hit refinery was Mobil's Torrance facility, where fire shut a hydrogen unit and cut overall operations significantly. A larger-than-expected stockdraw boosted prices on Wednesday, while profit-taking weakened markets ahead of Friday's August NYMEX contract expiration.

Distillate - prices gained more than crude for the week, but less than gasoline, as refinery concerns put upward pressure on crack spreads. A small stockbuild put inventories at the top of the seasonal range, but slightly under last year's inflated level.

U.S. Spot Crude Oil and Product Prices



◆ WTI (Cushing) ■ Reg. Gasoline (NYH) ▲ No. 2 Heating Oil (NYH)

CHRONOLOGY OF RECENT MARKET EVENTS

- 7/30 - mixed** - most prices fell back from Thursday's peaks, pressured by pre-weekend profit-taking and NYMEX August product contract expiration. NYMEX crude and product futures prices ended below session highs, with only gasoline posting a net gain for the day.
- 7/29 - rising** - prices climbed across the board for a second day, sending spot WTI and New York Harbor gasoline to their highest levels since October 1997. Bullish market sentiment continued to stem from global production restraint, augmented by U.S. refinery troubles and inventories returning toward seasonal average ranges.
- 7/28 - rising** - gasoline led all prices higher on the combined influence of bullish weekly supply reports and further refinery problems. Both API and EIA reported larger-than-expected stockdraws for crude oil and gasoline, while a fire in a hydrogen unit cut operations at Mobil's Torrance, California refinery, and two other plants were reported experiencing difficulties.
- 7/27 - falling** - prices fell early, extending Monday's profit-taking, then strengthened late in the day on expectations for the weekly API and EIA supply reports. Gasoline prices gained further support from news of yet another fire at a California refinery, this time at Arco's Carson facility.
- 7/26 - mixed** - all prices fell back after Friday's sharp increases, as profit-taking cut into gains brought on by market sentiment that OPEC would likely retain output cuts at its September meeting. U.S. product prices were additionally weakened by restarting of units at two Texas refineries.
- 7/23 - rising** - crude and product prices posted strong gains, led by gasoline, continuing to recover losses from earlier in the week. Markets found support in assurances from Mexico's energy minister that it will maintain output cuts, along with reported problems at Mobil's Beaumont refinery.
- 7/22 - rising** - spot and futures prices rose marketwide for the first time this week, on statements by Venezuelan government officials countering Tuesday's comment by PDVSA's president. The partial recovery left WTI slightly under \$20 per barrel, below last week's elevated levels.
- 7/21 - mixed** - NYMEX prices dropped for a third day, while changing differentials pushed some spot prices higher. A larger-than-expected crude oil stockbuild in the weekly API report was the catalyst, with EIA unable to publish data due to systems problems.
- 7/20 - falling** - all prices fell sharply under the combined influence of NYMEX August crude expiration, expectations for the weekly API and EIA reports, and a statement from the president of PDVSA. The afternoon comment from Roberto Mandini, that producers should raise output if WTI exceeds \$22 per barrel, accelerated selling in the afternoon.
- 7/19 - falling** - prices declined across the board in profit-taking, following Friday's multi-year highs and ahead of Tuesday's NYMEX August crude oil contract expiration. A weekend cat cracker shutdown at Valero's Texas City refinery had limited market impact.